

VZCZCXRO9614
RR RUEHDA
DE RUEHAK #4481/01 2151459
ZNR UUUUU ZZH
R 031459Z AUG 06
FM AMEMBASSY ANKARA
TO RUEHC/SECSTATE WASHDC 7674
INFO RUCPDO/USDOC WASHDC
RHEBAAA/DEPARTMENT OF ENERGY WASHDC
RUEHAH/AMEMBASSY ASHGABAT 1908
RUEHTA/AMEMBASSY ALMATY 2224
RUEHTH/AMEMBASSY ATHENS 7335
RUEHGB/AMEMBASSY BAGHDAD 0705
RUEHKB/AMEMBASSY BAKU 1403
RUEHDM/AMEMBASSY DAMASCUS 1543
RUEHSI/AMEMBASSY TBILISI 3055
RUEHDA/AMCONSUL ADANA 0987
RUEHIT/AMCONSUL ISTANBUL 1042

UNCLAS SECTION 01 OF 02 ANKARA 004481

SIPDIS

USDOE FOR CHARLES WASHINGTON
USDOC FOR 4212/ITA/MAC/CPD/CRUSNAK

SENSITIVE
SIPDIS

E.O. 12958: N/A
TAGS: [ENRG](#) [EPET](#) [ASEC](#) [EINV](#) [SENV](#) [EWWT](#) [TU](#) [IZ](#)
SUBJECT: KILLING DETERS CHEVRON IN SE TURKEY

REF: 05 ADANA 220

Sensitive But Unclassified. Please handle accordingly.

11. (SBU) SUMMARY: Having long struggled to gain security permission for access to do a seismic survey on its petroleum exploration permit near Silopi on the Iraqi border, Chevron has overcome one obstacle after another, but the recent death from an improvised explosive device (IED) of one of its security firm's employees has caused it to abandon operations there. Chevron still aims to avoid pursuing full "force majeure" under its contract, planning for its French partner Perenco to do some drilling in a relatively safer area. Chevron admits that the geology is not overwhelmingly promising, but hopes to maintain good relations with the GOT and wants to gain geological information that might be relevant for more promising terrain across the Iraqi border - for the day when there is more clarity on doing oil business in northern Iraq. End Summary.

Quest for SE Turkey Access - Northern Iraq Potential

12. (SBU) Approximately two years ago Chevron officials told us that it aimed to resume exploration operations on an old permit in the Cudi Mountains near Silopi and Sirnak on the Iraqi border. The GOT had lifted "force majeure" provisions under the contract associated with PKK violence in the area and Chevron had limited time in which to show exploration investment under the contract. Later, Chevron approached the Embassy for assistance in gaining permission for access, apparently held up by the Turkish General Staff (TGS) for security concerns. In 2005 Chevron and its partner state oil company (TPAO) were able to do limited field survey work using Turkish nationals. With Embassy assistance and the support of the Minister of Energy, Chevron and its partners gained permission to start a full seismic survey (using helicopters) in spring 2006.

13. (SBU) Unfortunately, at this point the French seismic contractor CCG decided that it did not want to do the work because of security concerns. Chevron and TPAO decided to do a more limited seismic survey using roads. Chevron officials admitted to us that the geology was not viewed as extremely favorable, but they wanted to maintain good relations with the Ministry of Energy. Moreover, they viewed the similar geology across the Iraqi border as more favorable, and thought that this work might provide valuable

information for the day that there was clarity on how to do oil business in northern Iraq.

Killing of Turkish Security Firm Employee

¶4. (SBU) Chevron country manager John Connor told us that Chevron and TPAO began its road-based seismic campaign in mid June, involving teams of mine detectors, surveyors, drillers, blasters, recorders, and security personnel. The teams methodically worked along the road along the Iraqi border northeast of Silopi. On the morning of July 11, when the Yukselis Company security team advanced ahead of the mine detection team (contrary to procedures), the team hit and detonated an improvised explosive device, resulting in two injuries of Turkish personnel, one grave. The gravely injured victim later died in the hospital. The Chevron official said that the device had been placed the night before, presumably by the PKK, in an obvious tire rut, after some Chevron teams had passed on that road the day before. He estimated that it comprised about 3 kg of explosives.

¶5. (SBU) Chevron's subsequent security assessment determined that they would cease the seismic operations and Chevron personnel consulted with the Embassy RSO and DAO on its plans to remove equipment and detonate any prepared explosives. During July 25-28 Chevron removed equipment, cleaned up operations, and demobilized its teams, without any security incidents.

Still Aiming to Keep the Contract Alive - Plan B

ANKARA 00004481 002 OF 002

¶6. (SBU) Connor told us that the partners did not have sole right to declare "force majeure" under the contract (granting an exemption for work requirements because of events outside of their control). Under the contract, the GOT must approve force majeure and there would be political sensitivities and points of contention in going down this path. Chevron used relatively minor comparable clauses to shut down the seismic operations, and informed the GOT that the partners planned to undertake exploratory drilling later this year in an area perceived as relatively safer west of Silopi. Under the partnership agreement this obligation would fall to the third partner, French company Perenco. Perenco would presumably perform its own security assessment before moving forward.

¶7. (SBU) Comment: Chevron and other oil shippers have closely watched progress on potential Bosphorus bypass projects. Chevron's involvement in the efforts to gain Russian approval for the CPC (Caspian to Black Sea) pipeline expansion have resulted in some pressure from the Russian government for it to participate in the Russian favored Burgas-Alexandropoulos project, rather than the Turkish favored Samsun-Ceyhan bypass project. Chevron's determination to keep the Southeast permit alive is based on the company's desire to maintain good relations with the GOT for the range of its oil activities. The shippers are still maintaining cautious flexibility while bypass sponsors seek oil throughput guarantees to secure financing.

¶8. (SBU) Comment Continued: There is great interest from Turkish and foreign companies in Turkey for clarity on how to do oil and gas exploration and production in northern Iraq. Achieving this clarity still depends on Baghdad and the KRG working out a road map and legislation for companies to follow. While a few companies have apparently struck deals solely with the KRG, the reputable Turkish and western companies are waiting for clear rules of the game.

McEldowney